

CITY OF SPENCER, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2008

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**CITY OF SPENCER, IOWA
DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION' TRUSTEES
AS OF JUNE 30, 2008**

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM:

Randy Swanson

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Bob Fagen

CITY CLERK

Donna M. Fisher

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Lawson

FIRE CHIEF

Douglas Duncan

CAD OFFICER

Rick Newcomb

CEMETARY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

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Dwayne Sebbby

GOLF COURSE CLUB HOUSE MGR.

Stacey Caskey

GOLF COURSE SUPT.

Brian Mohr

PLANNING DIRECTOR

Kirby Schmidt

SOLID WASTE SUPERINTENDENT

Kent Herbold

LIBRARY DIRECTOR

Kay Larson

LANDFILL

Chuck Duhn

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Randy Swanson
George Kruger

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Steve Bomgaars
Ron Hanson

PUBLIC WORKS

David Scott, Chairperson
Rich Prentice
Ron Hanson

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

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Dave Hultgren
Bruce Tamisiea
Tom Howe
Murray Hart

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Steve Fox
Lavonne Peterson
Paul Brenner

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Duane Willrett
Craig Wampler
Ed Nygaard
Kathy Fueston
Marjorie Eeten

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Mary Rahn
Del Brockshus
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Diane Quist
Vance Frommie
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Rich Mishler

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Marilee Betts

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Tim Steffen
Al Schmidt
Bill Hemme

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Dick Montgomery
Jason Warren
John Zinn
Mark Boyd

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Neal Conover
Kris Van Berkum
John Cotton
John Rahn

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Kirby Froehlich
Roger Green
Burdette Lorenzen
Mark Lykke
Don Baxter

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Esther Connell
Amanda Hoffman
Sue Hitchcock
Jim Morony
Roger Littlefield
Cathy Greiner
Carol Hansen
Todd Korbitz

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Rick Dean
Jarold Krogman

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Steve McAllister
Steve Nolting

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Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Lawson
Randy Krukow

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Harry Rasdal
Bruce Lamport
John Frans
Don Veitch
Sam Harper
Jim Morony

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Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Pete Paulsen
Tom Nelson
Clinton Jones
Larry Harden
Dick Schallau

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Spencer, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Spencer, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data of the City's legally separate component unit, Spencer Municipal Hospital, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Spencer, Iowa, as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. In accordance with accounting principles generally accepted in the United States of America, the City of Spencer, Iowa has issued separate reporting entity financial statements for which we have issued our report dated January 27, 2009.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2009 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Other Information is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Spencer, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
January 27, 2009

Management Discussion and Analysis

June 30, 2008

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2008. We encourage the readers to consider the information in conjunction with the City's financial statements, which follow.

Financial Highlights:

- The City's total cash basis net assets increased \$1,157,449 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased \$306,218 and the assets of the business type activities increased \$851,231.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is *"Is the City of Spencer as a whole better off or worse off as a result of the year's activities?"* The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** include the waste water treatment plant, solid waste and landfill. These activities are financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

- **Governmental Funds** account for most the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- **Proprietary Funds** account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the sanitary sewer, solid waste and landfill funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

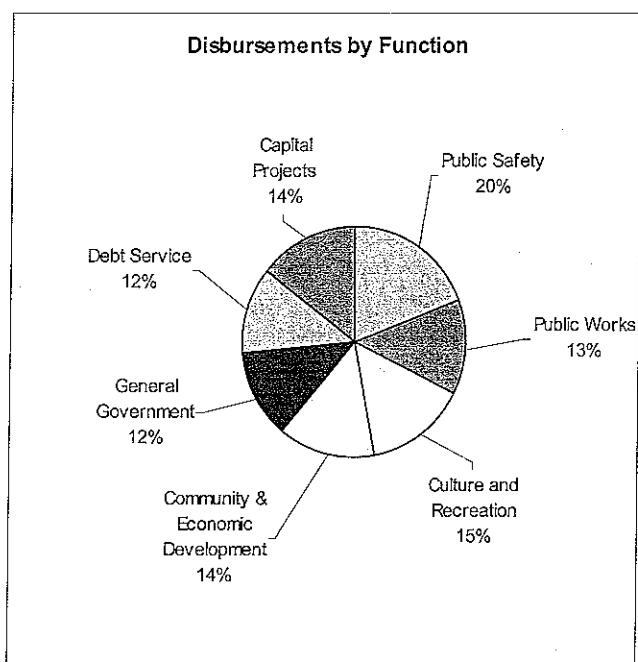
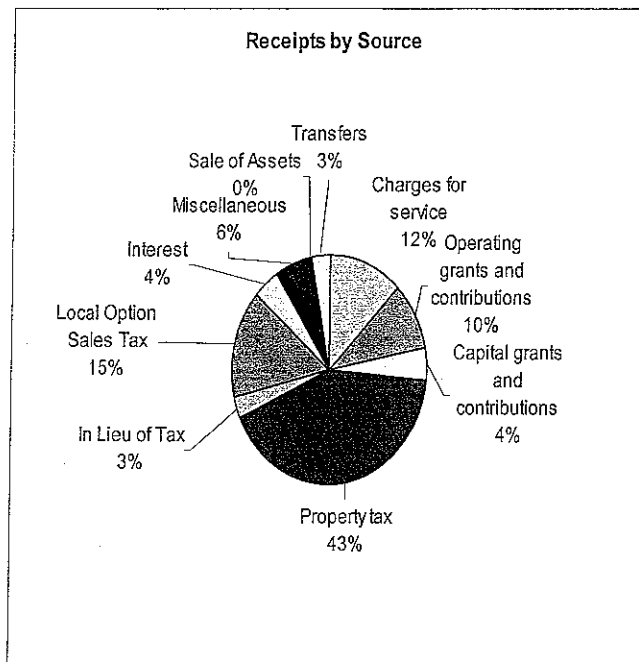
Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$11,309,630 to \$11,615,849. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 1,417,500
Operating grants and contributions	1,146,315
Capital grants and contributions	522,951
General receipts:	
Property tax	4,880,617
In Lieu of Tax	357,494
Local Option Sales Tax	1,785,440
Interest	474,723
Miscellaneous	734,350
Sale of Assets	15,447
Transfers	358,723
Total receipts	11,693,560
Disbursements:	
Public Safety	2,175,503
Public Works	1,523,922
Culture and Recreation	1,656,305
Community & Economic Development	1,578,325
General Government	1,409,325
Debt Service	1,413,780
Capital Projects	1,630,181
Total disbursements	11,387,341
Increase in cash basis	306,219
Cash basis net assets beginning of year	11,309,630
Cash basis net assets end of year	\$11,615,849



Changes in Cash Basis Net Assets of Business Type Activities

Year ended
June 30,
2008

Receipts:

Program receipts:

Charges for service:

Sewer

\$1,739,539

Solid Waste

1,493,350

Landfill

1,109,774

General receipts:

Interest

175,547

Sale of Assets

97,787

Miscellaneous

79,758

Total receipts

4,695,755

Disbursements:

Sewer

1,040,140

Solid Waste

1,731,698

Recycle

713,963

Transfers

358,723

Total disbursements

3,844,524

Increase in cash basis

851,231

Cash basis net assets beginning of year

3,776,750

Cash basis net assets end of year

\$4,627,981

The total business type activities cash balance increased from a year ago, increasing from \$3,776,750 to \$4,627,981.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Spencer completed the year, its governmental funds reported a combined fund balance of \$11,615,848 an increase of \$306,218 from last year's total of \$11,309,630. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$658,428 from the prior year to \$9,209,889. This was due to an increase in the cash reserves of \$781,610 and a decrease in general operating of \$123,182. The City intends to use these cash reserve receipts to fund future capital projects.
- The Local Option Sales Tax Fund increased \$76,515 from the prior year to \$534,539. This increase was attributable to local option sales tax received exceeding disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sanitary Sewer cash balance increased \$694,955 to \$2,135,837, due primarily to an increase in reserve funds for future capital needs
- The Solid Waste cash balance decreased \$140,572 to \$915,375, due primarily to expenditures exceeding revenue. A rate adjustment will be made in fiscal year 2009.
- The Landfill cash balance increased \$296,848 to \$1,576,769, due primarily to an increase in reserve funds for future capital needs and required closure/post closure funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was done May 19, 2008. The amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

The City's receipts were \$660,664 less than budgeted receipts, a variance of 4%. The most significant variance resulted from over estimating miscellaneous income.

The disbursements were \$2,819,055 less than budgeted because a capital purchase was not completed before year end.

Even with this one amendment, the City exceeded the budgeted amount in the Public Works Program for the year ended June 30, 2008.

DEBT ADMINISTRATION

At year-end the City had \$9,985,000 of debt outstanding. This is a decrease of \$1,186,625 from the prior year.

Debt administration is quite conservative, with almost 90% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$29,940,588. With outstanding General Obligation Debt applicable to this limit of \$7,990,000, we are utilizing 27% of this limit. More detailed information on debt administration is provided in Note 3 of the financial statements.

ECONOMIC FACTORS

Spencer continued to have stable construction growth during this fiscal year. Building permits in fiscal year 2008 totaled \$6,391,000. This amount shows a decrease over the previous years following the trend throughout the country. More commercial units were constructed than in the previous year but with a significantly lower total value. While residential construction value stayed stable, fewer units contributed to the total.

Even with this decrease in construction value, the community remains proactive in seeking opportunities to grow and expand. A joint project between Spencer Municipal Utilities and the City to purchase and develop approximately 222 acres for industrial development shows the community commitment to move forward, even in tough economic times.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the City Clerk at 712-580-7200.

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,175,503	\$ 127,711	\$ 127,371	\$ 8,564
Public Works	1,523,922	252,509	969,558	21,869
Culture and Recreation	1,656,305	593,417	36,085	-
Community and Economic Development	1,578,325	125,992	-	-
General Government	1,409,325	121,954	13,301	-
Debt Service	1,413,780	-	-	-
Capital Projects	1,630,181	195,917	-	492,518
Total Governmental Activities	<u>11,387,341</u>	<u>1,417,500</u>	<u>1,146,315</u>	<u>522,951</u>
Business-Type Activities:				
Waste Water Treatment Plant	1,040,140	1,739,539		
Solid Waste	1,731,698	1,493,350		
Landfill	713,963	1,109,774		
Total Business-Type Activities	<u>3,485,801</u>	<u>4,342,663</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 14,873,142</u>	<u>\$ 5,760,163</u>	<u>\$ 1,146,315</u>	<u>\$ 522,951</u>

General Receipts:

Property and Other City Tax Levied for:
General Purposes
Debt Service
Tax Increment Financing
In Lieu of Tax
Local Option Sales Tax
Interest
Gain on Sale of Assets
Miscellaneous
Interfund Transfers

Total General Receipts and Transfers

Change in Cash Basis Net Assets

Cash Basis Net Assets at Beginning of Year

Cash Basis Net Assets at End of Year

Cash Basis Net Assets

Restricted:

Debt Service
Other Purposes

Unrestricted

Total Cash Basis Net Assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,911,857)		\$ (1,911,857)
(279,986)		(279,986)
(1,026,803)		(1,026,803)
(1,452,333)		(1,452,333)
(1,274,070)		(1,274,070)
(1,413,780)		(1,413,780)
(941,746)		(941,746)
<u>(8,300,575)</u>		<u>(8,300,575)</u>
	\$ 699,399	699,399
	(238,348)	(238,348)
	<u>395,811</u>	<u>395,811</u>
	<u>856,862</u>	<u>856,862</u>
<u>(8,300,575)</u>	<u>856,862</u>	<u>(7,443,713)</u>
3,829,683	-	3,829,683
523,530	-	523,530
527,404	-	527,404
357,494	-	357,494
1,785,440	-	1,785,440
474,723	175,547	650,270
15,447	97,787	113,234
734,350	79,758	814,108
358,723	(358,723)	-
<u>8,606,794</u>	<u>(5,631)</u>	<u>8,601,163</u>
306,218	851,231	1,157,449
<u>11,309,630</u>	<u>3,776,750</u>	<u>15,086,380</u>
<u>\$ 11,615,848</u>	<u>\$ 4,627,981</u>	<u>\$16,243,829</u>
\$ 710,378	\$ -	\$ 710,378
1,695,581	1,016,791	2,712,372
9,209,889	3,611,190	12,821,079
<u>\$ 11,615,848</u>	<u>\$ 4,627,981</u>	<u>\$16,243,829</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	General	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Receipts						
Property Tax	\$2,804,648	\$ -	\$ 520,484	\$ -	\$ 694,866	\$ 4,019,998
Tax Increment Financing	-	-	-	-	527,404	527,404
Other City Tax	683,604	1,785,440	3,046	-	4,059	2,476,149
Licenses and Permits	150,814	-	-	-	-	150,814
Use of Money and Property	396,140	20,039	38,331	5,137	15,076	474,723
Intergovernmental	184,700	-	-	492,518	969,558	1,646,776
Charges for Services	874,740	-	-	-	8,100	882,840
Special Assessments	216,366	-	-	94,019	-	310,385
Miscellaneous	660,434	-	-	139,986	29,880	830,300
Total Receipts	<u>5,971,446</u>	<u>1,805,479</u>	<u>561,861</u>	<u>731,660</u>	<u>2,248,943</u>	<u>11,319,389</u>
Disbursements						
Operating:						
Public Safety	1,849,449	-	-	-	326,054	2,175,503
Public Works	1,467,533	-	-	-	56,389	1,523,922
Culture and Recreation	1,582,933	-	-	-	73,372	1,656,305
Community and Economic Development	671,540	771,610	-	-	135,175	1,578,325
General Government	768,333	-	-	-	640,992	1,409,325
Debt Service	-	-	1,413,780	-	-	1,413,780
Capital Projects	-	-	-	1,630,181	-	1,630,181
Total Disbursements	<u>6,339,788</u>	<u>771,610</u>	<u>1,413,780</u>	<u>1,630,181</u>	<u>1,231,982</u>	<u>11,387,341</u>
Excess of Receipts over Disbursements	<u>(368,342)</u>	<u>1,033,869</u>	<u>(851,919)</u>	<u>(898,521)</u>	<u>1,016,961</u>	<u>(67,952)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Property	15,447	-	-	-	-	15,447
Interfund Transfers In	2,235,016	-	965,783	855,247	371,341	4,427,387
Interfund Transfers Out	(1,223,694)	(957,354)	-	(445,678)	(1,441,938)	(4,068,664)
Total Other Financing Sources (Uses)	<u>1,026,769</u>	<u>(957,354)</u>	<u>965,783</u>	<u>409,569</u>	<u>(1,070,597)</u>	<u>374,170</u>
Net Change in Cash Balances	<u>658,427</u>	<u>76,515</u>	<u>113,864</u>	<u>(488,952)</u>	<u>(53,636)</u>	<u>306,218</u>
Cash Balances at Beginning of Year	<u>8,551,462</u>	<u>458,024</u>	<u>596,514</u>	<u>675,387</u>	<u>1,028,243</u>	<u>11,309,630</u>
Cash Balances at End of Year	<u>\$9,209,889</u>	<u>\$ 534,539</u>	<u>\$ 710,378</u>	<u>\$ 186,435</u>	<u>\$ 974,607</u>	<u>\$11,615,848</u>
Cash Basis Fund Balance						
Reserved for:						
Debt Service	\$ -	\$ -	\$ 710,378	\$ -	\$ -	\$ 710,378
Perpetual Care	-	-	-	-	300,010	300,010
Other	-	-	-	-	30,750	30,750
Unreserved, Reported in:						
General Fund	9,209,889	-	-	-	-	9,209,889
Special Revenue Funds	-	534,539	-	-	584,075	1,118,614
Capital Projects Fund	-	-	-	186,435	-	186,435
Permanent Fund	-	-	-	-	59,772	59,772
Total Cash Basis Fund Balance	<u>\$9,209,889</u>	<u>\$ 534,539</u>	<u>\$ 710,378</u>	<u>\$ 186,435</u>	<u>\$ 974,607</u>	<u>\$11,615,848</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Operating Receipts:				
Charges for Services	\$ 1,739,539	\$ 1,493,350	\$ 1,109,774	\$ 4,342,663
Miscellaneous	12,462	58,463	8,833	79,758
Total Operating Receipts	<u>1,752,001</u>	<u>1,551,813</u>	<u>1,118,607</u>	<u>4,422,421</u>
Operating Disbursements:				
Salaries	139,655	565,216	189,278	894,149
Payroll Taxes and Employee Benefits	43,149	229,710	76,093	348,952
Repairs and Maintenance	28,682	88,628	40,561	157,871
Utilities	870	14,624	3,888	19,382
Contract Services	713,488	25,048	76,702	815,238
Insurance Premiums	38,783	18,969	17,646	75,398
Gas and Oil	5,017	116,632	91,494	213,143
Supplies	1,327	30,612	8,360	40,299
Capital Outlay	50,209	261,921	16,678	328,808
Landfill Charges	-	361,378	-	361,378
Collection Fee	18,960	18,960	-	37,920
Total Operating Disbursements	<u>1,040,140</u>	<u>1,731,698</u>	<u>520,700</u>	<u>3,292,538</u>
Excess of Operating Receipts over Operating Disbursements	711,861	(179,885)	597,907	1,129,883
Non-Operating Receipts (Disbursements):				
Interest Income	66,273	48,230	61,044	175,547
Interest Expense	-	-	(72,863)	(72,863)
Principal	-	-	(120,000)	(120,000)
Bond Fees	-	-	(400)	(400)
Proceeds on Sale of Capital Assets	97,787	-	-	97,787
Total Non-Operating Receipts (Disbursements)	<u>164,060</u>	<u>48,230</u>	<u>(132,219)</u>	<u>80,071</u>
Excess of Receipts over Disbursements	875,921	(131,655)	465,688	1,209,954
Other Financing Sources (Uses)				
Transfers In	207,292	-	-	207,292
Transfers (Out)	(388,258)	(8,917)	(168,840)	(566,015)
Total Other Financing Sources (Uses)	<u>(180,966)</u>	<u>(8,917)</u>	<u>(168,840)</u>	<u>(358,723)</u>
Net Change in Cash Balances	694,955	(140,572)	296,848	851,231
Cash Balances at Beginning of Year	<u>1,440,882</u>	<u>1,055,947</u>	<u>1,279,921</u>	<u>3,776,750</u>
Cash Balances at End of Year	<u>\$ 2,135,837</u>	<u>\$ 915,375</u>	<u>\$ 1,576,769</u>	<u>\$ 4,627,981</u>
Cash Basis Fund Balance				
Reserved	\$ -	\$ 14,183	\$ 1,002,608	\$ 1,016,791
Unreserved	2,135,837	901,192	574,161	3,611,190
Total Cash Basis Fund Balance	<u>\$ 2,135,837</u>	<u>\$ 915,375</u>	<u>\$ 1,576,769</u>	<u>\$ 4,627,981</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENT AND CHANGES IN CASH BALANCES
 AGENCY FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Additions:

Use of Money and Property	\$ 24,727
Charges for Services	12,187
Miscellaneous	<u>24,653</u>
Total Additions	<u>61,567</u>

Deductions:

General Government	<u>14,341</u>
Total Deductions	<u>14,341</u>

Net Change in Cash Balances 47,226

Cash Balances at Beginning of Year 663,520

Cash Balances at End of Year \$ 710,746

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The City of Spencer, Iowa, is a political subdivision of the State of Iowa, located in Clay County. It was first incorporated in 1880, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements, and general administrative services.

Reporting Entity -- For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles. Spencer Municipal Hospital's financial statements can be obtained at their administrative offices or at City Hall.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$357,494 in lieu of property tax payments to the City.

The Northwest Iowa Regional Airport, Spencer Municipal Golf Course, Spencer Public Library, and various recreational parks are not legally separate from the City and have been included in the funds and account groups of the City.

Jointly Governed Organizations -- The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statements -- The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. The City's net assets are reported in two categories:

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

The City does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

- C. Fund Accounting -- Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The City reports the following major governmental and proprietary funds:

General Fund -- The General Fund is used to account for all financial transactions not properly included in other funds. It serves as the general operating fund of the City and derives its major revenues from property taxes, licenses and permits, state allocation, and charges for services. The expenditures of the General Fund are categorized as follows:

Public Safety -- Activities related to public safety include police protection, fire protection, and the communication center.

Public Works -- Activities related to public works include roadway construction and maintenance, transportation services, street lighting, and airport operations.

Culture and Recreation -- Activities related to culture and recreation include parks and recreation, aquatic center, library, and golf course operations.

Community and Economic Development -- Activities related to community and economic development include community beautification, housing and urban renewal, planning and zoning, and economic development operations.

General Government -- Activities related to general government include City Council activities, legal services, and executive and financial administration and support services.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Fund – Local Option Sales Tax – The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, community programs and services.

Debt Service Fund -- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing and fund transfers are to provide the revenues for the debt service payments.

Capital Projects Fund -- The Capital Projects Fund is used to account for the accumulation of resources for, and the payment of, expenditures related to various capital projects.

Enterprise Funds -- The Enterprise Funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges. The following are the Enterprise Funds:

Sanitary Sewer – To account for the operation of a municipally owned waste water treatment plant and collection system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, waste water treatment, handling and supporting services, capital outlay, and debt service.

Solid Waste – To account for the operation of municipally owned garbage collection and disposal service.

Landfill – To account for the operation of municipally owned landfill.

D. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City of Spencer funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Public Works function.

Note 2 – CASH AND POOLED INVESTMENTS

The City deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the City at June 30, 2008 is as follows:

Cash and Cash Equivalents	\$ 12,806,091
Certificates of Deposit	2,100,000
Restricted Cash and Cash Equivalents	<u>2,048,481</u>
	<u>\$ 16,954,572</u>

The City had no investments that are subject to risk categorization.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 – LONG-TERM DEBT

General Obligation Bonds/Notes

The City's computed legal debt limit as of June 30, 2008 is \$29,940,589 of which \$7,279,622 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2008:

	<u>General Obligation</u>
Bonds/Notes Payable – July 1, 2007	\$ 8,535,000
Add Bonds/Notes Issued	-
Less Bonds/Notes Retired	<u>(1,015,000)</u>
Bonds/Notes Payable – June 30, 2008	<u>\$ 7,520,000</u>

General obligation bonds/notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds/notes currently outstanding are as follows:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/08
Bond E	5/2001	4.68 %	2012	\$1,170,000	\$ 530,000
Bond T	2/1999	5.85 %	2010	\$ 310,000	\$ 75,000
Bond G	11/2003	3.98 %	2018	\$1,900,000	\$1,440,000
Bond C Refunding	9/2004	3.28 %	2012	\$1,520,000	\$ 645,000
Improvement Bond	5/2005	4.02 %	2018	\$1,485,000	\$1,200,000
Landfill Cell Bond	9/2006	3.989 %	2012	\$ 780,000	\$ 510,000
Corporate Purpose	11/2006	4.12 %	2017	\$2,140,000	\$2,010,000
WTP Land Bond	1/2007	4.410 %	2026	\$ 655,000	\$ 640,000
Street Imp Bond	6/2007	4.074 %	2017	\$ 515,000	\$ 470,000

The annual requirements to amortize the general obligations bonds/notes outstanding as of June 30, 2008, are as follows:

	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,110,000	\$ 293,820
2010	1,145,000	253,961
2011	880,000	211,280
2012	830,000	177,036
2013	530,000	144,474
2014 -2018	2,680,000	393,398
2019 -2023	200,000	59,315
2024 -2026	<u>145,000</u>	<u>13,010</u>
	<u>\$ 7,520,000</u>	<u>\$ 1,546,294</u>

The Debt Service Fund has \$710,378 available to service the General Obligation Bonds.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 3 – LONG-TERM DEBT (Continued)

Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended June 30, 2008:

	<u>Revenue Bonds</u>
Revenue Bonds Payable – July 1, 2007	\$ 2,235,000
Add Bonds Issued	-
Less Bonds Retired	(120,000)
Revenue Bonds Payable – June 30, 2008	\$ <u>2,115,000</u>

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/08
Bond L	11/2004	4 48 %	2019	\$2,120 000	\$1,645 000
Hy-Vee TIF	5/2007	6 00 %	2018	\$ 470,000	\$ 470,000

Other Long-Term Debt

On June 30, 2008, the City had the following other long-term debt:

	Spencer Municipal Utilities	Spencer Municipal Utilities	Totals
Date of Issue	11-19-96	11-20-06	
Date of Maturity	2007	2021	
Interest Rate	0%	0%	
Original Issue	\$ 266,250	\$ 375,000	\$ 641,250
Balance July 1, 2007	26,625	375,000	401,625
Issued	-	-	-
Redeemed	(26,625)	(25,000)	(51,625)
Balance June 30, 2008	\$ <u>-</u>	\$ <u>350,000</u>	\$ <u>350,000</u>

The Spencer Municipal Utilities \$266,250 loan is retired through storm sewer fees.

The Spencer Municipal Utilities \$375,000 loan is retired through loan receivable payments from Shine Brothers.

The City of Spencer entered into an interim loan and disbursement agreement on June 11, 2008 with the Iowa Finance Authority. The Iowa Finance Authority is authorizing an interim loan not to exceed \$1,000,000. The loan is for improvements to the municipal sanitary sewer. As of June 30, 2008 the City has not received any loan proceeds from Iowa Finance Authority

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 – LONG-TERM DEBT (Continued)

The maturities and payment components of the other long-term debt as of June 30, 2008, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,000	\$ -
2010	25,000	-
2011	25,000	-
2012	25,000	-
2013	25,000	-
2014 - 2018	125,000	-
2019 - 2022	<u>100,000</u>	<u>-</u>
	<u>\$ 350,000</u>	<u>\$ -</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
General Obligation	\$ 8,535,000	\$ -	\$ 1,015,000	\$ 7,520,000	\$ 1,110,000
Revenue Bond	470,000	-	-	470,000	35,000
Notes Payable	<u>401,625</u>	<u>-</u>	<u>51,625</u>	<u>350,000</u>	<u>25,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 9,406,625</u>	<u>\$ -</u>	<u>\$ 1,066,625</u>	<u>\$ 8,340,000</u>	<u>\$ 1,170,000</u>
Business-Type Activities:					
Revenue Bonds	\$ 1,765,000	\$ -	\$ 120,000	\$ 1,645,000	\$ 125,000
Business-Type Activity Long-Term Liabilities	<u>\$ 1,765,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 1,645,000</u>	<u>\$ 125,000</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 4 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 285,299
Sick Leave	<u>348,079</u>
Total	<u>\$ 633,378</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

Note 5 - AIRPORT LEASE AGREEMENTS

The City of Spencer and Randy Vander Weide entered into a five-year fixed based operator lease agreement to provide service at the airport, beginning July 1, 2004. Either party may terminate the lease, effective six months after notification. The terms of the lease include monthly rent of \$2,800 for use of various facilities.

The City of Spencer and Spencer Avionics, Inc. have entered into a facilities lease agreement under which Spencer Avionics, Inc. leases from the City certain space in the north hangar at the Spencer Municipal Airport for \$1,500 per month. The lease was effective for April 1, 2006 through March 31, 2008. During the year ended June 30, 2008, rent receipts totaled \$15,000.

On March 13, 2006, the City of Spencer and CAMM Air entered into a facilities lease agreement under which CAMM Air leases from the City certain space at the Spencer Municipal Airport for \$1,200 per year. The lease is effective for March 13, 2006 through June 2105. During the year ended June 30, 2008, rent receipts totaled \$2,400.

The City of Spencer and Maurer Manufacturing, Inc. have entered into a facilities lease agreement under which Maurer Manufacturing, Inc. leases from the City certain space in the east-facing hangar at the Spencer Municipal Airport for \$2,240 per month. The lease was effective for September 1, 2004 through February 28, 2005 at which time it became a month-to-month lease terminable by either party upon one month's advance notice to the other party. During the year ended June 30, 2008, rent income totaled \$24,640.

The minimum future rentals on the above operating leases for the next twelve months as of June 30, 2008, are \$92,880.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 6 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered payroll.

The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were as follows:

	June 30, 2008	June 30, 2007	June 30, 2006
City's Contribution	\$ 161,798	\$ 140,509	\$ 140,287
Percentage Funded of Required Contribution	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earned compensation and the City's contribution rate may not be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2008, 2007, and 2006 were as follows:

	June 30, 2008	June 30, 2007	June 30, 2006
City's Contribution	\$ 251,398	\$ 289,687	\$ 313,532
Percentage Funded of Required Contribution	100.0%	100.0%	100.0%

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 7 – RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2008, cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

Note 9 – CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$1,365,374 for various capital projects. As of June 30, 2008, disbursements totaled \$250,915. The remaining \$1,114,459 will be paid as work on the projects progresses.

Note 10 – LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology or applicable laws or regulations.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 10 – LANDFILL CLOSURE/POST CLOSURE CARE COSTS (Continued)

These costs for the City have been estimated to be \$871,840 for closure and \$1,227,000 for postclosure, for a total of \$2,098,840 as of June 30, 2008. The City will begin construction on a new cell during fiscal year 2009. Currently the estimated remaining life of the landfill is 1.25 years, with approximately 90 percent of the landfill's capacity used at June 30, 2008.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs and, at June 30, 2008, assets of \$593,843 are restricted for these purposes.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism and received a time extension to submit the 2008 financial assurance documentation due to the City's intentions to issue general obligation debt to fully fund the requirements for closure and postclosure pursuant to IAC 567 113.14(3) and 113.14(4).

As of January 16, 2009, the City had a balance in the closure/postclosure dedicated fund in the amount of \$2,105,726.

Note 11 - SUBSEQUENT EVENTS

The City of Spencer purchased the Green property for \$1,070,000. This was a joint venture between Spencer Municipal Utilities and the City. Spencer Municipal Utilities contributed the \$1,070,000 for the property, and the City paid for the majority of the legal fees.

In October 2008 the City entered into a loan agreement in a amount not to exceed \$2,000,000 for the purpose of paying the cost of constructing improvements and extensions to the municipal sanitary sewer.

In October 2008 the City entered in to a loan agreement in a amount not to exceed \$885,000 for the purpose of paying the cost of closing cells at the City's landfill.

On December 1, 2008 the City issued \$750,000 of General Obligation Loans for the purpose of street improvement projects.

On December 1, 2008 the City issued \$1,365,000 of General Obligation Landfill Improvement Bonds for the costs of constructing a new cell for the City's landfill and to fully fund the postclosure care account.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPENCER, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts			
Property Tax	\$ 4,019,998	\$ -	\$ 4,019,998
Tax Increment Financing	527,404	-	527,404
Other City Tax	2,476,149	-	2,476,149
Licenses and Permits	150,814	-	150,814
Use of Money and Property	474,723	175,547	650,270
Intergovernmental	1,646,776	-	1,646,776
Charges for Services	882,840	4,342,663	5,225,503
Special Assessments	310,385	-	310,385
Miscellaneous	830,300	79,758	910,058
Total Receipts	<u>11,319,389</u>	<u>4,597,968</u>	<u>15,917,357</u>
Disbursements			
Public Safety	2,175,503	-	2,175,503
Public Works	1,523,922	-	1,523,922
Culture and Recreation	1,656,305	-	1,656,305
Community and Economic Development	1,578,325	-	1,578,325
General Government	1,409,325	-	1,409,325
Debt Service	1,413,780	-	1,413,780
Capital Projects	1,630,181	-	1,630,181
Business Type Activities	-	3,485,801	3,485,801
Total Disbursements	<u>11,387,341</u>	<u>3,485,801</u>	<u>14,873,142</u>
Excess (Deficiency) of Receipts Over Disbursements	(67,952)	1,112,167	1,044,215
Other Financing Sources (Uses)			
Proceeds of Debt	-	-	-
Proceeds from Sale of Fixed Assets	15,447	97,787	113,234
Operating Transfers From Other Funds	4,427,387	207,292	4,634,679
Operating Transfers to Other Funds	(4,068,664)	(566,015)	(4,634,679)
Total Other Financing Sources (Uses)	<u>374,170</u>	<u>(260,936)</u>	<u>113,234</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	306,218	851,231	1,157,449
Balances at Beginning of Year	<u>11,309,630</u>	<u>3,776,750</u>	<u>15,086,380</u>
Balances at End of Year	<u>\$ 11,615,848</u>	<u>\$ 4,627,981</u>	<u>\$ 16,243,829</u>

Budget		Final to
Original	Final	Actual Variance
\$ 4,141,876	\$ 4,141,876	\$ (121,878)
532,992	532,992	(5,588)
1,550,741	1,780,741	695,408
65,650	65,650	85,164
200,100	200,100	450,170
1,365,558	2,035,708	(388,932)
5,142,112	5,142,112	83,391
412,031	412,031	(101,646)
890,811	2,266,811	(1,356,753)
<u>14,301,871</u>	<u>16,578,021</u>	<u>(660,664)</u>
2,388,490	2,453,490	277,987
1,396,469	1,518,969	(4,953)
1,750,483	1,750,483	94,178
1,039,941	2,831,941	1,253,616
1,933,150	2,073,150	663,825
1,472,270	1,472,270	58,490
1,111,350	1,881,500	251,319
3,430,394	3,710,394	224,593
<u>14,522,547</u>	<u>17,692,197</u>	<u>2,819,055</u>
(220,676)	(1,114,176)	2,158,391
128,100	128,100	(128,100)
-	-	113,234
5,035,313	5,035,313	(400,634)
<u>(5,035,313)</u>	<u>(5,035,313)</u>	<u>400,634</u>
<u>128,100</u>	<u>128,100</u>	<u>(14,866)</u>
(92,576)	(986,076)	2,143,525
<u>15,086,380</u>	<u>15,086,380</u>	<u>-</u>
<u>\$ 14,993,804</u>	<u>\$ 14,100,304</u>	<u>\$ 2,143,525</u>

See Accompanying Independent Auditor's Report

CITY OF SPENCER, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursement for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,169,650. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements in the Public Works function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF SPENCER, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Receipts			
Property Tax	\$ 694,866	\$ -	\$ 694,866
Tax Increment Financing	527,404	-	527,404
Other City Tax	4,059	-	4,059
Use of Money and Property	9,577	5,499	15,076
Intergovernmental	969,558	-	969,558
Charges for Services	-	8,100	8,100
Miscellaneous	29,580	300	29,880
Total Receipts	<u>2,235,044</u>	<u>13,899</u>	<u>2,248,943</u>
Disbursements			
Public Safety	326,054	-	326,054
Public Works	56,389	-	56,389
Culture and Recreation	73,297	75	73,372
Community and Economic Development	132,030	3,145	135,175
General Government	640,992	-	640,992
Total Disbursements	<u>1,228,762</u>	<u>3,220</u>	<u>1,231,982</u>
Excess of Receipts Over Disbursements	1,006,282	10,679	1,016,961
Other Financing Sources (Uses)			
Operating Transfers From Other Funds	371,341	-	371,341
Operating Transfers To Other Funds	(1,441,938)	-	(1,441,938)
Total Other Financing Sources (Uses)	<u>(1,070,597)</u>	<u>-</u>	<u>(1,070,597)</u>
Net Change in Cash Balances	(64,315)	10,679	(53,636)
Cash Balances at Beginning of Year	<u>648,390</u>	<u>379,853</u>	<u>1,028,243</u>
Cash Balances at End of Year	<u>\$ 584,075</u>	<u>\$ 390,532</u>	<u>\$ 974,607</u>
Cash Basis Fund Balance			
Reserved for:			
Perpetual Care	\$ -	\$ 300,010	\$ 300,010
Other	-	30,750	30,750
Unreserved	584,075	59,772	643,847
Total Cash Basis Fund Balance	<u>\$ 584,075</u>	<u>\$ 390,532</u>	<u>\$ 974,607</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Road Use Tax	T.I.F.	SSMID	Police Retirement Systems	Civil Service Expenses	Police Special Proceeds
Receipts						
Property Tax	\$ -	\$ -	\$ 74,597	\$ 179,258	\$ 6,699	\$ -
Tax Increment Financing	-	527,404	-	-	-	-
Other City Tax	-	-	-	1,173	44	-
Use of Money and Property	-	565	-	5,839	-	-
Intergovernmental	969,558	-	-	-	-	-
Miscellaneous	-	-	-	-	7,635	94
Total Receipts	<u>969,558</u>	<u>527,969</u>	<u>74,597</u>	<u>186,270</u>	<u>14,378</u>	<u>94</u>
Disbursements						
Public Safety	-	-	-	203,080	16,360	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community and Economic Development	-	56,544	75,486	-	-	-
General Government	-	-	-	-	-	-
Total Disbursements	<u>-</u>	<u>56,544</u>	<u>75,486</u>	<u>203,080</u>	<u>16,360</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	969,558	471,425	(889)	(16,810)	(1,982)	94
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfer Out	(1,045,587)	(488,266)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,045,587)</u>	<u>(488,266)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	(76,029)	(16,841)	(889)	(16,810)	(1,982)	94
Cash Balances at Beginning of Year	<u>76,029</u>	<u>65,669</u>	<u>11,532</u>	<u>228,481</u>	<u>2,669</u>	<u>11,755</u>
Cash Balances at End of Year	<u>\$ -</u>	<u>\$ 48,828</u>	<u>\$ 10,643</u>	<u>\$ 211,671</u>	<u>\$ 687</u>	<u>\$ 11,849</u>

Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ 36,844	\$ -	\$ -	\$ -	\$ 14,514	\$ 382,954	\$ 694,866
-	-	-	-	-	-	527,404
241	-	-	-	95	2,506	4,059
2,752	-	-	421	-	-	9,577
-	-	-	-	-	-	969,558
-	13,301	581	5,750	-	2,219	29,580
39,837	13,301	581	6,171	14,609	387,679	2,235,044
48,318	58,296	-	-	-	-	326,054
-	56,389	-	-	-	-	56,389
-	73,297	-	-	-	-	73,297
-	-	-	-	-	-	132,030
-	29,150	52,497	-	23,182	536,163	640,992
48,318	217,132	52,497	-	23,182	536,163	1,228,762
(8,481)	(203,831)	(51,916)	6,171	(8,573)	(148,484)	1,006,282
-	227,858	105,620	-	3,000	126,778	463,256
-	-	-	-	-	-	(1,533,853)
-	227,858	105,620	-	3,000	126,778	(1,070,597)
(8,481)	24,027	53,704	6,171	(5,573)	(21,706)	(64,315)
69,471	20,523	37,021	9,965	6,449	108,826	648,390
\$ 60,990	\$ 44,550	\$ 90,725	\$ 16,136	\$ 876	\$ 87,120	\$ 584,075

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Receipts					
Use of Money and Property	\$ -	\$ 52	\$ -	\$ 2,426	\$ 2,430
Charges for Services	7,200	-	-	900	-
Miscellaneous	-	-	300	-	-
Total Receipts	<u>7,200</u>	<u>52</u>	<u>300</u>	<u>3,326</u>	<u>2,430</u>
Disbursements					
Culture and Recreation	75	-	-	-	-
Community and Economic Development	-	-	-	-	3,145
Total Disbursements	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,145</u>
Excess of Receipts Over Disbursements	7,125	52	300	3,326	(715)
Other Financing Sources (Uses)					
Operating Transfers In	-	80	-	-	-
Operating Transfers Out	(80)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(80)</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balances at Beginning of Year	234,184	8,937	2,000	53,155	65,089
Cash Balances at End of Year	<u>\$ 241,229</u>	<u>\$ 9,069</u>	<u>\$ 2,300</u>	<u>\$ 56,481</u>	<u>\$ 64,374</u>
Cash Basis Fund Balance					
Reserved for:					
Perpetual Care	\$ 241,229	\$ -	\$ 2,300	\$ 56,481	\$ -
Other	-	2,550	-	-	20,000
Unreserved	-	6,519	-	-	44,374
Total Cash Basis Fund Balance	<u>\$ 241,229</u>	<u>\$ 9,069</u>	<u>\$ 2,300</u>	<u>\$ 56,481</u>	<u>\$ 64,374</u>

Leach Park Trust Fund	Total
\$ 591	\$ 5,499
-	8,100
-	300
<u>591</u>	<u>13,899</u>
-	75
-	3,145
-	<u>3,220</u>
591	10,679
-	80
-	<u>(80)</u>
-	-
<u>16,488</u>	<u>379,853</u>
<u>\$ 17,079</u>	<u>\$ 390,532</u>
\$ -	\$ 300,010
8,200	30,750
8,879	59,772
<u>\$ 17,079</u>	<u>\$ 390,532</u>

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OTHER INFORMATION

TABLE I

CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS
LAST TEN YEARS

Fiscal Year	Public Safety/ Community Protection	Public Works/ Home and Community Environment	Culture and Recreation/ Human Development	Community and Economic Development	General Government/ Policy and Administration	Debt Service	Capital Projects	Total
1998-99	\$ 1 562 455	\$ 5,229,008	\$ 1,357,515	\$ -	\$ 751 432	\$ -	\$ -	\$ 8,900,410
1999-00	1,662,904	4 659 407	2,098,182	-	824 894	-	-	9 245 387
2000-01	1,799,146	6,797,639	1 722,370	-	882,719	-	-	11,201,874
2001-02	2,377,524	4,275,878	1,253,442	-	839,641	-	-	8,746,485
2002-03	1,820 298	1,286,453	1,501,855	907 477 ¹	1,055,886	817,401 ¹	2,846,127 ¹	10,235,497
2003-04	2,026 905	1,291,125	1,554,507	1 466 591 ¹	1,343,886	852,275 ¹	1 934 353 ¹	10,469,642
2004-05	1 978 717	1,416,025	1,617,789	1,218,917 ¹	1,124,274	3,871,429 ¹	4 336 342 ¹	15,563,493
2005-06	2 117 469	1,433,825	1,692,228	924 952 ¹	1 303 707	1,406,556 ¹	5 047 006 ¹	13,925,743
2006-07	2,167,277	1,474,470	1,849,139	1,496 613 ¹	1 354 535	4,904,583 ¹	1,806 523 ¹	15 053,140
2007-08	\$ 2,175 503	\$ 1,523,922	\$ 1,656,305	\$ 1,578,325 ¹	\$ 1 409 325	\$ 1,413,780 ¹	\$ 1,630 181 ¹	\$ 11 387 341

¹ New columns are due a change in the chart of accounts. Information is not available for previous years.

NOTE: For the fiscal years 1998-1999 through 2006-2007, amounts are reported on the modified-accrual basis of accounting. For the fiscal year 2007-2008, amounts are reported on the cash basis of accounting.

TABLE II

CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN YEARS

Fiscal Year	Taxes	Inter-Governmental	Charges for Services	Miscellaneous	Total
1998-99	\$ 3,122,377	\$ 3,261,565	\$ 567,694	\$ 1,136,487	\$ 8,088,123
1999-00	3,461,293	3,436,135	430,869	1,434,253	8,762,550
2000-01	3,311,031	3,269,724	613,802	1,168,907	8,363,464
2001-02	3,626,340	3,284,360	715,605	1,304,644	8,930,949
2002-03	5,377,766	2,186,001	660,553	1,222,856	9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	5,799,104	2,452,620	820,133	2,121,214	11,193,071
2006-07	7,200,906	1,835,359	853,406	1,290,729	11,180,400
2007-08	\$ 7,333,936	\$ 1,646,776	\$ 882,840	\$ 1,455,837	\$ 11,319,389

NOTE: For the fiscal years 1998-1999 through 2006-2007, amounts are reported on the modified-accrual basis of accounting
For the fiscal year 2007-2008, amounts are reported on the cash basis of accounting

TABLE III

**CITY OF SPENCER, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections as Percent of Current Levy
1998-99	\$ 2,952,422	\$ 2,905,189	98.40%	\$ 24,038	\$ 2,929,227	99.21%
1999-00	3,056,317	3,026,576	99.03%	27,725	3,054,301	99.93%
2000-01	3,215,447	3,225,149	100.30%	28,708	3,253,857	101.19%
2001-02	3,400,880	3,301,854	97.09%	28,778	3,330,632	97.93%
2002-03	3,485,163	3,363,960	96.52%	29,468	3,393,428	97.37%
2003-04	3,568,016	3,575,870	100.22%	26,661	3,602,531	100.97%
2004-05	3,598,639	3,571,797	99.25%	29,716	3,601,513	100.08%
2005-06	3,721,216	3,706,983	99.62%	28,872	3,735,855	100.39%
2006-07	3,972,892	3,923,209	98.75%	39,184	3,962,393	99.74%
2007-08	\$ 4,168,217	\$ 4,160,882	99.82%	\$ 33,896	\$ 4,194,778	100.64%

TABLE IV

**CITY OF SPENCER, IOWA
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Payable Year	Real Property		Utilities		Total	
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value
1998-99	\$244,176,548	\$338,686,682	\$ 6,106,496	\$ 6,088,078	\$ 250,283,044	\$ 344,774,760
1999-00	260,489,504	344,047,823	6,431,642	6,106,496	266,921,146	350,154,319
2000-01	281,720,411	385,875,753	2,677,192	6,437,227	284,397,603	392,312,980
2001-02	307,073,876	418,397,846	2,585,629	2,671,192	309,659,505	421,069,038
2002-03	309,383,244	441,480,443	2,483,465	2,585,629	311,866,709	444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	\$349,624,211	\$561,803,499	\$ 2,260,676	\$ 2,930,865	\$ 351,884,887	\$ 564,734,364

Fiscal Year	Ratio of Total Taxable Value To Total Assessed Value
1998-99	72.6
1999-00	76.2
2000-01	72.5
2001-02	73.5
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5
2006-07	60.0
2007-08	62.3

Note:

Taxable Value does not include the Tax Increment Levy.

CITY OF SPENCER, IOWA
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION

Fiscal Year	City	School District	County Consolidated	Vocational School	Total
1998-99	11.17200	11 50900	4 75800	0 61400	28 05300
1999-00	11.15300	11 09500	4 78300	0 59500	27 62600
2000-01	11.16447	11 63238	5 05126	0 68552	28 53363
2001-02	10 80566	11 36772	5 05015	0 68550	27 90903
2002-03	11 03983	12 42898	4 77727	0 77150	29 01758
2003-04	11 02005	12 43699	5 32886	0 73807	29 52397
2004-05	11.09976	13 40352	5 73764	0 71942	30 96034
2005-06	11 37501	14 30408	6 32206	0 77966	32 78081
2006-07	11 65737	13 96943	6 22273	0 83196	32 68149
2007-08	11 65137	13 96983	6 12751	0 73979	32 49200

Name of Governmental Unit	Net Bonded Debt Outstanding	Percentage Applicable to This Governmental Unit
City of Spencer, Iowa	\$ 7,279,622	100%
Clay County	-	N/A
Spencer Community School District	-	N/A
	<u>\$ 7,279,622</u>	

CITY OF SPENCER, IOWA
PRINCIPAL TAXPAYERS
JUNE 30, 2008

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Sequoia Investments, Inc. LLC	Mail	\$ 8,072,700	1.35%
Menard Inc	Retail	7,420,780	1.24
Wal-Mart	Retail	6,374,680	1.06
St Luke Lutheran Home, Inc.	Assisted Living	6,174,570	1.03
GF Land Partnership	Commercial Property	5,106,790	0.85
Hy-Vee, Inc.	Retail	4,599,080	0.77
St Luke Lutheran Home - Remainderman	Assisted Living	4,523,030	0.76
Shine Brothers Corporation	Manufacturing	4,457,560	0.74
Jacobsen Homes Corporation	Rental Property	4,364,390	0.73
Lake Mills Investors, Ltd	Doctor's Office	3,988,000	0.67
		<u>\$ 55,081,580</u>	<u>9.20%</u>

Source:

Clay County Assessor

**CITY OF SPENCER, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2008**

Total Assessed Value	<u>\$ 598,811,778</u>
Debt Limit (5% of Total Assessed Value)	29,940,589
Amount of Debt Applicable to Debt Limit	7,990,000
Less Assets in Debt Service Fund Available for Payment of Principal	<u>710,378</u>
Total Debt Applicable to Debt Limit	<u>7,279,622</u>
 LEGAL DEBT MARGIN	 <u>\$ 22,660,967</u>

TABLE VIII

**CITY OF SPENCER, IOWA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1998-99	11,066	344,774,760	3,920,000	192,195	3,727,805	1.08	337
1999-00	11,066	350,154,319	3,475,000	206,042	3,268,958	0.93	295
2000-01	11,317	392,312,980	4,350,000	225,112	4,124,888	1.05	364
2001-02	11,317	421,069,038	6,275,000	311,427	5,963,573	1.42	527
2002-03	11,317	444,066,072	9,385,000	294,397	9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2006-07	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2007-08	11,317	\$ 564,734,364	\$ 7,990,000	\$ 710,378	\$ 7,279,622	1.29	643

CITY OF SPENCER, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

Fiscal Year	Principal	Interest	Total Debt Services	Total General Expenditures	Ratio of Debt Service to General Expenditures
1998-99	\$ 340,000	\$ 141,155	\$ 481,155	\$ 8,900,410 ^{1,3}	5.4
1999-00	445,000	208,558	653,558	9,245,387 ^{1,3}	7.1
2000-01	295,000	164,393	459,393	11,201,874 ^{1,3}	4.1
2001-02	300,000	207,513	507,513	8,759,736 ^{1,3}	5.8
2002-03	410,000	292,796	702,796	7,386,427 ^{2,3}	9.5
2003-04	435,000	321,727	756,727	8,532,484 ^{2,3}	8.9
2004-05	410,000	289,177	699,177	11,224,858 ^{2,3}	6.2
2005-06	900,000	341,029	1,241,029	8,876,297 ^{2,3}	14.0
2006-07	895,000	390,316	1,285,316	13,243,664 ^{2,3}	9.7
2007-08	\$ 1,015,000	\$ 390,338	\$ 1,405,338	\$ 9,753,940 ^{2,4}	14.4

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue and Debt Service Funds

³ Modified-accrual basis of accounting

⁴ Cash basis of accounting

**CITY OF SPENCER, IOWA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Fiscal Year	Commercial Construction ¹		Residential Construction ¹		Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value		
1998-99	52	\$ 11,677,601	208	\$ 5,505,246	\$ 317,988,000	\$ 344,774,760
1999-00	34	1,417,498	155	9,848,122	319,374,000	350,154,319
2000-01	49	4,398,229	139	6,275,140	336,326,000	392,312,980
2001-02	29	3,287,602	190	4,994,002	332,744,000	421,069,038
2002-03	29	27,572,359	193	5,330,054	344,265,000	444,066,072
2003-04	38	4,786,168	168	6,172,450	352,891,000	479,878,920
2004-05	11	1,268,456	39	5,628,400	390,521,000	494,216,473
2005-06	11	5,042,500	22	4,063,350	419,848,000	464,537,933
2006-07	11	5,240,000	24	3,659,000	446,865,000	559,876,778
2007-08	14	\$ 2,596,000	10	\$ 3,795,000	\$ 480,373,000	\$ 564,734,364

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER, IOWA
MISCELLANEOUS STATISTICS
JUNE 30, 2008**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	138
Area in Square Miles	10.73
City of Spencer, Iowa, Facilities and Services:	
Miles of Streets	101.4
Culture and Recreation:	
City Parks	14
Golf Courses	2
Swimming Pools	1
Fire Protection:	
Number of Stations	1
Number of Fire Personnel and Officers	32
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers	29
Number of Law Violations:	
Physical Arrests	880
Citations	3,946
Sewerage System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	2,000,000
Maximum Daily Capacity of Treatment Plant in Gallons	10,000,000
Water System	
Elevated Storage Capacity	1,500,000
Capacity of Water Plant	3,000,000
Daily Average Consumption in Gallons	1,700,000
Hospitals:	
Number of Hospitals	1
Number of Patient Beds	99
Number of Medical Personnel in County (M.D., D.O., D.C., D.D.S.)	60

CITY OF SPENCER, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Fiscal Year	Net Bonded Population	School Enrollment	Unemployment Rate %
1998-99	11,066	2,304	2.3
1999-00	11,066	2,240	2.0
2000-01	11,317	2,191	2.2
2001-02	11,317	2,127	3.2
2002-03	11,317	2,097	3.6
2003-04	11,317	2,120	4.1
2004-05	11,317	2,057	4.2
2005-06	11,317	2,058	3.3
2006-07	11,317	2,058	3.1
2007-08	11,317	2,097	3.1

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
The City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spencer, (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-08 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spencer and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spencer during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
January 27, 2009

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements
- (b) A significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.

Part II: Findings Related to the Financial Statements Reported

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Reporting

Observation – During our audit, we identified several incorrect outstanding items on the bank reconciliation. Adjustments were subsequently made by the City to correct these items.

Recommendation – The City should implement procedures to ensure that all outstanding items on the bank reconciliation are correct.

Response – Due to a major software conversion, the bank reconciliation had unreconciled items that have since been verified and corrected. This is no longer an ongoing problem due to discussions with the software company and additional knowledge of the software program.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, exceeded the amount budgeted in the Public Works function.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-08: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

III-C-08: Travel Expense – No expenditures of the City were for travel expenses of spouses of the City officials or employees.

III-D-08: Business Transactions – No business transactions between the City officials or employees were noted.

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-E-08: Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operation.
- III-F-08: Council Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- III-G-08: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 128 and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-08: Revenue Notes – The City has complied with the landfill revenue note provisions.
- III-I-08: Financial Assurance – As of June 30, 2008, the City had elected to demonstrate financial assurance for closure and postclosure care costs of the landfill based on the Local Government Financial Test as required by Chapter 111.6(8) of the Iowa Administrative Code. By July 30, 2008, the City was required to make a \$489,127 deposit for 2008. On September 2, 2008 the City received a time extension to submit the revised 2008 financial assurance documentation based on the City's plans to issue general obligation debt to fully fund the requirements for closure and postclosure care costs. The deadline was extended to January 1, 2009. Due to this change the City will establish a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. As of January 1, 2009, the City had a balance of \$2,105,726 in the closure/postclosure dedicated fund demonstrating their financial assurance requirements for 2008.

Total estimated costs for closure and postclosure care	<u>\$2,098,840</u>
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Balance of funds held in the local dedicated fund at January 1, 2009	<u>\$2,105,726</u>
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